

# **City of Riverside's High-End Retail Potential**

**John E. Husing, Ph.D.**

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**Economics & Politics, Inc.**

961 Creek View Lane  
Redlands, CA 92373  
(909) 307-9444 Phone  
(909) 748-0620 FAX  
john@johnhusing.com  
[www.johnhusing.com](http://www.johnhusing.com)

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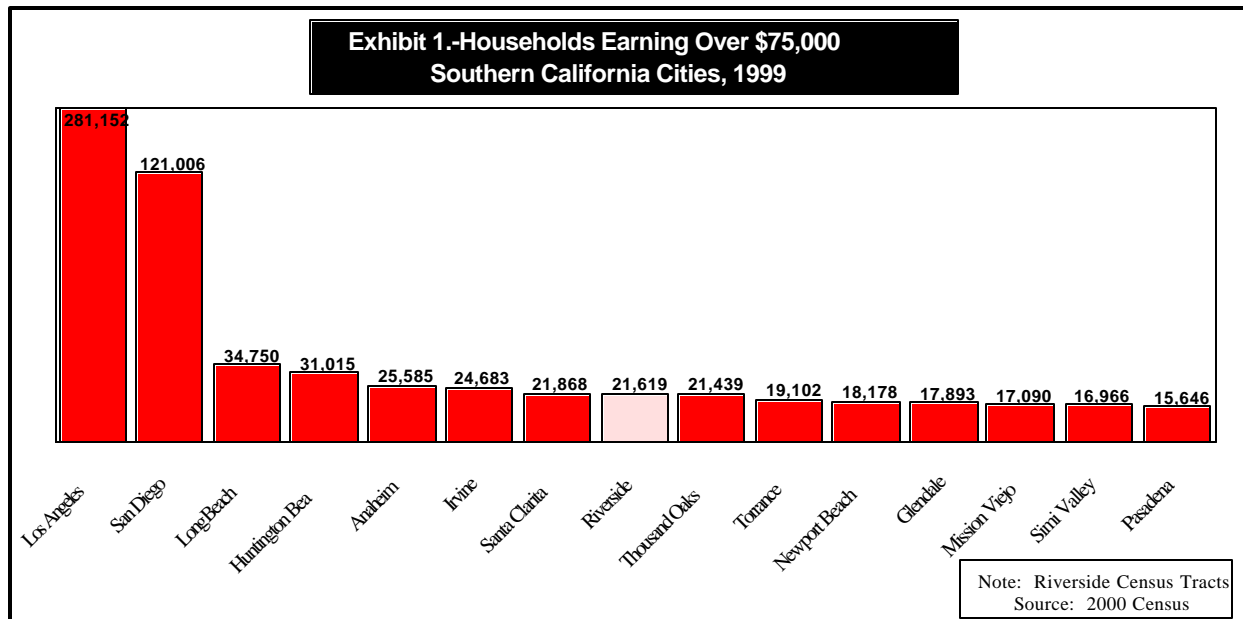
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## City of Riverside's High-End Retail Potential

By John E. Husing, Ph.D.

For several years, corporate retail analysts have greatly underestimated the power and sophistication of the market in the city of Riverside. As a result, those companies that have located in the community have been surprised when they have opened and greatly exceeded their pro formas. Recently, this has applied to Barnes & Noble, Starbucks and Sevilla, an upscale boutique restaurant. The fact that few analysts at high-end firms have been willing to delve deeply into the city's data has represented a lost profit opportunity to their companies and frustration for the large number of the city's shoppers who have had to drive long distances to access the range and quality of products they desire.



When Riverside's economic development staff has attempted to interest companies in the market, they have repeatedly faced statements that the city's 1999 average household income (2000 Census: \$55,558) did not justify a deeper look. Were Riverside a homogenous slow growing, small city, or near to a major high-end retail center, that rationale might be justified. However, it is neither small, slow growing, homogenous or near such a retail area. Thus:

- ?? **Large.** In 1999, the city's census tracts had the eighth highest concentration of households earning \$75,000 or more among Southern California's 205 communities (*Exhibit 1*).
- ?? **Rapid Growing.** Unlike largely built-out coastal cities, Riverside has not yet annexed some of its rapidly developing adjacent areas. In 2000, the city's population was 255,802 but its census tracts held 281,283. In 2010, the full area is expected to have 322,106 people, an increased of 40,823. The adjacent areas also have some of its

highest incomes. Thus, the fastest growing tracts with the most available land for new homes were in Woodcrest, an area that is just beginning to be annexed. In 1999, the average household incomes in these tracts (420.03, 420.04, 420.05) were \$76,709, \$107,256 and \$82,569.

?? **Not Homogeneous.** A hard look at Riverside's data shows that within its census tracts, there is the equivalent of a "city within a city" of 168,303 people with an average household income of \$82,939. This occurs, in part, because the city is not an economically homogeneous one (*this higher income group is identified below*).

?? **Far From Full-Ranged Retail.** Riverside's higher end shoppers can-not easily access full-ranged retail centers in other communities. The nearest such outlets are South Coast Plaza in Orange County and Old Town Pasadena. Both are over 45 miles away on very congested freeways. The large sub-set of the city's population that has a high average household income thus represents a largely untapped market.

Given these and other facts, a deeper look at the city of Riverside's retail market reveals extraordinary opportunities for companies willing to delve into the data.

### **Riverside's Income Data: A Deeper Look**

To conduct such an analysis, the starting point is the 2000 Census. It provides data on the income levels and distribution of income by household for 1999:

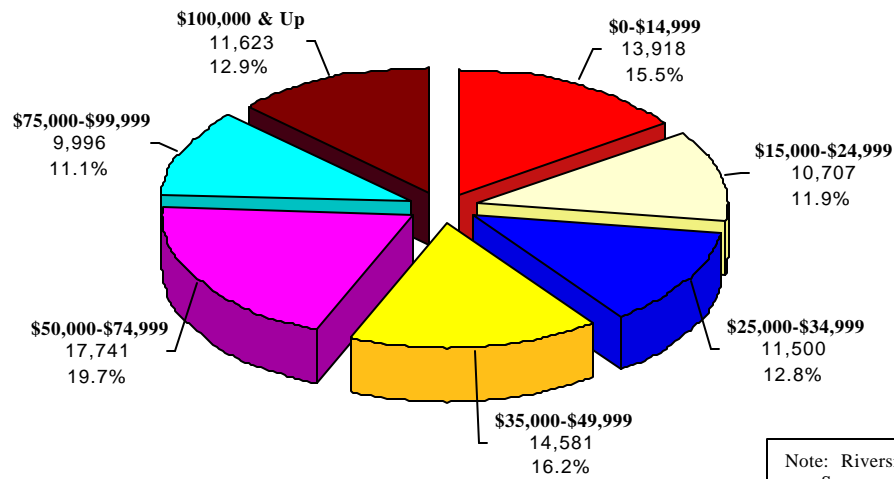
?? The total income in the census tracts which make up the city (*including unincorporated areas in split tracts*) was \$5.1 billion in 1999.

?? The average household income of all households in the city, including the numerous households headed by students associated with the University of California Riverside, is only \$57,094. It is only by delving deeper into the data that the very large "city within a city" with a much higher average household income is revealed.

<b>Exhibit 2.-Household Income Distribution City of Riverside's Census Tracts, 1999</b>			
<b>Low</b>	<b>High</b>	<b>Riverside</b>	
\$0	\$9,999	8,663	9.6%
\$10,000	\$14,999	5,255	5.8%
\$15,000	\$24,999	10,707	11.9%
\$25,000	\$34,999	11,500	12.8%
\$35,000	\$49,999	14,581	16.2%
\$50,000	\$74,999	17,741	19.7%
\$75,000	\$99,999	9,996	11.1%
\$100,000	\$149,999	7,976	8.9%
\$150,000	\$199,999	1,821	2.0%
\$200,000	& Up	1,826	2.0%
<b>Total Households</b>		<b>90,066</b>	<b>100.0%</b>
Total Household Income		\$5,142,263,426	
Average Household Income		\$57,094	

In 1999, 12.9% of the city area's residents earned over \$100,000 and 24.0% were above \$75,000 (*Exhibits 2-3*). The largest group in the population was the 19.7% earning \$50,000 to \$74,999.

**Exhibit 3.-Distribution of Income, 1999  
Riverside Census Tracts**



Given this distribution, a key question was asked. Inside the city of Riverside's census tracts, with its 90,666 households and 281,283 people in 1999, was there a large city within the city made-up of households with an average household income of \$80,000? The answer is yes. The city had 53,941 households with an average household income of \$82,939 (*Exhibit 3*). At an average household density of 3.12 persons in these tracts, that was the equivalent of a city of 168,303 in 1999.

**Exhibit 3.-Distribution of Income, At & Above Each Bracket, Riverside, 1999**

Income Range			Within Each Income Bracket		Within Each Income Bracket & Higher		
Low	High	Mid-point	Households	Income	Households	Income	Avg. HH Income
\$0	\$9,999	\$5,000	8,663	\$43,310,669	90,066	\$5,142,263,426	\$57,094
\$10,000	\$14,999	\$12,500	5,255	\$65,684,873	81,403	\$5,098,952,758	\$62,638
\$15,000	\$19,999	\$17,500	5,280	\$92,397,360	76,148	\$5,033,267,885	\$66,098
\$20,000	\$24,999	\$22,500	5,427	\$122,104,787	70,868	\$4,940,870,525	\$69,719
\$25,000	\$29,999	\$27,500	5,758	\$158,342,121	65,441	\$4,818,765,739	\$73,635
\$30,000	\$34,999	\$32,500	5,742	\$186,612,129	59,683	\$4,660,423,618	\$78,086
<b>\$35,000</b>	<b>\$39,999</b>	<b>\$37,500</b>	<b>5,351</b>	<b>\$200,659,825</b>	<b>53,941</b>	<b>\$4,473,811,489</b>	<b>\$82,939</b>
\$40,000	\$44,999	\$42,500	4,906	\$208,502,547	48,590	\$4,273,151,664	\$87,943
\$45,000	\$49,999	\$47,500	4,324	\$205,387,838	43,684	\$4,064,649,117	\$93,047
\$50,000	\$59,999	\$55,000	7,744	\$425,916,128	39,360	\$3,859,261,279	\$98,050
\$60,000	\$74,999	\$67,500	9,997	\$674,792,502	31,616	\$3,433,345,151	\$108,595
\$75,000	\$99,999	\$87,500	9,996	\$874,645,002	21,619	\$2,758,552,650	\$127,599
\$100,000	\$124,999	\$112,500	5,670	\$637,872,165	11,623	\$1,883,907,648	\$162,084
\$125,000	\$149,999	\$137,500	2,306	\$317,073,847	5,953	\$1,246,035,483	\$209,312
\$150,000	\$199,999	\$175,000	1,821	\$318,674,090	3,647	\$928,961,636	\$254,719
\$200,000	\$468,442	\$334,221	1,826	\$610,287,546	1,826	\$610,287,546	\$334,221
			<b>90,066</b>	<b>\$5,142,263,426</b>			

Source: 2000 Census

This result was determined using a three part methodology. First, to distribute the city's income by income bracket, the following steps were taken (*Exhibit 3, left side*):

- ?? The starting point was the 1999 household income distribution from the 2000 Census. It showed the number of households in each income bracket from 0-\$9,999 to \$200,000 to \$468,442.
- ?? It was assumed that the population was equally distributed across each bracket, so that the mid-point was a representation of the income level for each group. This allowed for an estimate of the total amount of income that was earned within each income range.
- ?? An upper limit of \$468,442 was used for the top bracket (\$200,000-\$468,442), leading to a mid-point of \$334,221, as this caused the full distribution to total \$5.1 billion, the total given by the census for all of the city area's census tracts in 1999.

It was next necessary to determine the sum total of households and the sum total of income found within each income bracket as well as all brackets that were higher (*Exhibit 3, right side*):

- ?? Thus, all 90,066 households earned \$0-\$9,999 *or more* income, and all \$5,142,263,426 of the income in the city's census tracts was in this income bracket *or higher*.
- ?? A key level was the \$35,000-\$39,999 income bracket. Some 53,941 of the households in the city's census tracts were in this group or in groups above it.
- ?? The \$35,000-\$39,999 group and those above it also held \$4,473,811,489 of the total income.

Finally, the average household income in each income bracket *and above* was established by dividing the total income in that bracket and above by the total number of households in that bracket and above. For the \$35,000-\$39,999 group and above, the calculation was:

- ?? \$4,473,811,489 in income earned by households at and above this level (87.0% of the city's total income).
- ?? 53,941 households in groups at and above this level (59.9% of the city's households).
- ?? \$82,939 average household income for households at or above this level.

**Riverside's 1999 Census Tracts Contained A City of  
53,941 Households (168,303 People)  
\$82,939 Average Household Income**

Using this methodology, in 1999, the census tracts that make up the city of Riverside were found to contain the equivalent of a city with 53,941 households or 168,303 people using the average of 3.12 people per household. They had a total of \$4.4 billion in income and an average household income of \$82,939 (*Exhibit 4*). This is the portion of the population in the \$35,000 to \$39,999 income bracket and above.

Using higher thresholds, Riverside's 1999 census tracts could have been thought of as:

- ?? Containing a city of 48,590 households, or 151,607 people, earning an average household income of **\$87,943** (\$4.3 billion).
- ?? Or, a city of 43,684 households with 136,300 people, making an average household income of **\$93,047** per year (\$4.1 billion).

?? Exhibit 4 extends this logic up to a city of 21,612 households, with 67,454 people, earning an average household income of **\$127,599** (\$2.8 billion)

Exhibit 4.-High Income "Cities" Contained Within Riverside, 1999					
		Within Each Income Bracket Or Higher			
Low	High	Households	People	Income	Avg. HH. Income
\$35,000	\$39,999	53,941	168,303	\$4,473,811,489	\$82,939
\$40,000	\$44,999	48,590	151,607	\$4,273,151,664	\$87,943
\$45,000	\$49,999	43,684	136,300	\$4,064,649,117	\$93,047
\$50,000	\$59,999	39,360	122,808	\$3,859,261,279	\$98,050
\$60,000	\$74,999	31,616	98,646	\$3,433,345,151	\$108,595
\$75,000	\$99,999	21,619	67,454	\$2,758,552,650	\$127,599

High-end retailers locating in Riverside can command this market as they have no nearby competition. Thus, South Coast Plaza in Orange County is 47 miles away on the congested SR-91 freeway. Old Town Pasadena in Los Angeles County is 51 miles away on the congested SR-60 freeway (*Exhibit 5*). Within the Inland Empire, there is no concentration of such outlets. This is why stores opening within Riverside have generally far exceeded their sales expectations.



## Wealthiest Southern California Cities, 1999

### More Than \$75,000 Household Income & 15,000 Families

To put these data into perspective, it is necessary to compare Riverside to Southern California's most prosperous cities. This will answer the question of how strong a market the sub-city within Riverside's census tracts actually is, given its 168,303 people, 53,941 households and average household income of \$82,929.

To find Southern California's wealthiest cities, the average household income was calculated for the region's 205 cities by dividing the total income in each city by its households. Wealthy cities were defined as having \$75,000 or more average household income (*Exhibit 6*). Some 21 smaller towns with under 15,000 households were removed to concentrate on the 31 cities ranging from Rancho Palos Verdes to Tustin that could be a market unto themselves.

<b>Exhibit 6.-Wealthiest Southern California Cities \$75,000 Household Income &amp; 15,000 Households, 1999</b>			
<b>City</b>	<b>Avg. HH Income</b>	<b>Households</b>	<b>Population</b>
Rancho Palos Verdes	\$127,556	15,353	41,145
Newport Beach	\$125,489	33,148	70,032
Beverly Hills	\$121,066	15,038	33,784
Yorba Linda	\$113,557	19,184	58,918
Laguna Niguel	\$108,800	23,230	61,891
Thousand Oaks	\$97,737	41,792	117,005
Mission Viejo	\$97,230	32,379	93,102
Rancho Santa Margarita	\$97,046	16,440	47,214
Poway	\$95,587	15,588	48,044
Irvine	\$93,116	51,144	143,072
Chino Hills	\$91,010	19,988	66,787
Encinitas	\$89,591	22,970	58,014
San Clemente	\$89,309	19,457	49,936
Carlsbad	\$88,234	31,410	78,247
Redondo Beach	\$87,876	28,594	63,261
Cerritos	\$86,312	15,383	51,488
Lake Forest	\$86,071	20,042	58,707
Diamond Bar	\$85,141	17,733	56,287
Huntington Beach	\$84,125	<b>73,874</b>	61,348
Simi Valley	\$83,833	36,543	111,351
Fountain Valley	\$83,093	18,139	54,978
<b>Riverside Census Tracts</b>	<b>\$82,939</b>	<b>53,941</b>	<b>168,303</b>
Santa Clarita	\$81,913	50,697	151,088
Santa Monica	\$80,903	44,503	84,084
Arcadia	\$79,578	19,073	53,054
Camarillo	\$78,667	21,434	57,077
Cypress	\$78,452	15,695	46,229
Glendora	\$76,527	16,940	49,415
Orange	\$76,479	41,030	128,821
Placentia	\$76,377	15,136	46,488
Tustin	\$75,791	23,853	67,504

Source: 2000 Census



When this work was completed, Riverside's 168,303 person "city within a city" had the 22<sup>nd</sup> highest average household income (\$82,929). It ranked just behind Simi Valley (\$83,833) and Fountain Valley (\$83,093). It was above such prosperous communities as Santa Monica (\$80,903), Santa Clarita (\$81,913), Arcadia (\$79,578) and Camarillo (\$78,667). Among the 31 cities the Riverside group had the second largest number of households (53,941) just behind Huntington Beach (*shaded*: 73,874). The next largest was Irvine (51,144).

This result can be interpreted as indicating that within Riverside's census tracts lies a large group of families whose average household income is among the highest in Southern California. They are also a group that is isolated from the kind of well-rounded shopping experience that is commensurate with their income levels. They are thus a market that is available to high-end stores that locate within the community.

*Note: If communities with less than 15,000 households had been included, the Riverside group would have still have ranked 52<sup>nd</sup> of the 205 communities. The places not shown ranged in size from Bradbury (292 households; \$100,454 average income) to Manhattan Beach (14,491 households; \$100,750 average income).*

### **Concentration of Households Earning \$75,000 Or More, 1999**

Another way of assessing the strength of the people living within Riverside's census tracts is to look at the absolute number of households earning \$75,000 and up. The number was 21,619 in 1999, the eighth largest concentration among Southern California's 205 cities (*Exhibit 7*). Numerous very visible upscale areas have fewer such households than Riverside's census tracts including Thousand Oaks (21,439) in Ventura County, Newport Beach (18,178) in Orange County, and Glendale (17,893) in Los Angeles County.

<b>Exhibit 7.-Southern California Cities Cities With Most Households At \$75,000 &amp; Up, 1999</b>	
<b>City</b>	<b>Households Over \$75,000</b>
Los Angeles	281,152
San Diego	121,006
Long Beach	34,750
Huntington Beach	31,015
Anaheim	25,585
Irvine	24,683
Santa Clarita	21,868
<b>Riverside Census Tracts</b>	<b>21,619</b>
Thousand Oaks	21,439
Torrance	19,102
Newport Beach	18,178
Glendale	17,893
Mission Viejo	17,090
Simi Valley	16,966

Source: 2000 Census

Thus, in 1999, the incomes of people living in Riverside's census tracts represented the equivalent of the 22<sup>nd</sup> wealthiest city of the 97 Southern California cities with over 15,000 households. It also had the eighth heaviest concentration of households earning over \$75,000 a year. Yet, as

indicated, there is not a full range shopping area, including high-end stores within a radius of 45 congested miles of one-way driving from their homes.

**2003**  
**Riverside's Census Tracts Contained A City of**  
**73,130 Households (226,439 People)**  
**\$81,212 Average Household Income**  
**&**  
**48,171 Households (149,156 People)**  
**\$103,997 Average Household Income**

Riverside's population and household income growth are not stationary. From 2000 to 2010, the city area's is expected to add households at a rate of 1.58% per annum. Using that rate, from 1999-2003, the number of households is calculated to have risen from 90,066 to 95,902, up 5,836. As indicated, the largest share of this growth is occurring on the undeveloped lands around the city's periphery that contain its highest income levels. As a result, it is assumed that the average household has kept up with inflation, and increased its standard of living by 1.0% (0.25% a year). From 1999-2003, the household income distribution will thus have changed. This is calculated assuming (*Exhibit 8*):

?? The addition of 5,836 households to reach 95,902.

?? An increase in the Los Angeles-Anaheim-Riverside Consumer Price Index of 12.8%.

?? An assumed increase in the city's purchasing power of the average city family of 1%.

<b>Exhibit 8.-Household Income Distribution City of Riverside Census Tracts, 2003</b>			
<b>Low</b>	<b>High</b>	<b>Riverside</b>	
\$0	\$9,999	8,108	8.5%
\$10,000	\$14,999	4,680	4.9%
\$15,000	\$24,999	9,983	10.4%
\$25,000	\$34,999	10,509	11.0%
\$35,000	\$49,999	14,450	15.1%
\$50,000	\$74,999	18,295	19.1%
\$75,000	\$99,999	12,349	12.9%
\$100,000	\$149,999	10,561	11.0%
\$150,000	\$199,999	4,083	4.3%
\$200,000	& Up	2,883	3.0%
<b>Total Households</b>		<b>95,902</b>	<b>100.0%</b>
Total Household Income		\$6,237,656,293	
Average Household Income		\$65,042	

By 2003, the city's total income should have reached \$6.2 billion. Dividing by its 95,902 households, today's average household income is estimated at \$65,042. Using the \$80,000 average household income threshold from the earlier analysis and a \$100,000 threshold (*Exhibit 9*):

?? In 2003, the city of Riverside's census tracts are estimated to contain 73,130 households and 226,439 people with an average household income of **\$81,212**. At current prices, these households have \$5.9 billion in total income.

?? In 2003, the city of Riverside has 48,171 households and 149,156 people with an average household income of **\$103,997**. At current prices, these households have \$5.0 billion in total income.

Look at another way, in 2003, the city is estimated to have 29,876 households with 92,508 people earning \$75,000 or more (*shaded area*).

<b>Exhibit 9.-High Income "Cities" Contained Within Riverside, 2003</b>					
		<b>Within Each Income Bracket Or Higher Brackets</b>			
<b>Low</b>	<b>High</b>	<b>Households</b>	<b>People</b>	<b>Income</b>	<b>Avg. HH. Income</b>
\$25,000	\$34,999	73,130	226,439	\$5,939,006,377	\$81,212
\$35,000	\$49,999	62,621	193,899	\$5,623,741,631	\$89,806
\$50,000	\$74,999	48,171	149,156	\$5,009,623,856	\$103,997
\$75,000	\$99,999	<b>29,876</b>	<b>92,508</b>	\$3,866,195,504	\$129,408
\$100,000	\$149,999	17,527	54,271	\$2,785,664,178	\$158,936

### Summary

Retailers specializing in households earning over \$80,000 or over \$100,000 will find a significant market in the city of Riverside's census tracts. In 2003, there are 73,130 households (226,439 people) averaging \$81,212 a year and 48,171 households (149,156 people) earning an average of \$103,995 a year. The people who make up this "city within a city" represent a large and almost totally untapped upscale retail market with shoppers currently forced to drive over 45 miles each way on some of Southern California's most congested freeways to access high-end, boutique or specialty retail stores.

### Comments:

Should we discuss the high concentration of \$0-9,999 is likely students as indicated by where those households live. And the reality that they pull down the hh average income, but clearly are large purchasers of higher end goods.

Did you account for those that earn more than \$500k? Do they get left out of all of this?